

OCT 14 2004

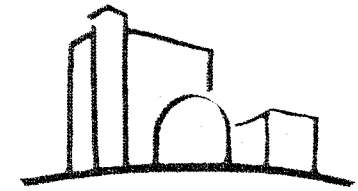
Memorandum
by Council Member's Office

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Del D. Borgsdorf
Terry Roberts

**SUBJECT: NEW SAN JOSE CITY HALL
AND OFF-SITE PARKING GARAGE
PROJECT UPDATE**

DATE: 10-14-04



The New San José City Hall

Council District: Citywide

INFORMATION

This report provides the latest contract award, schedule and budget information for the construction portion of the new City Hall project. A separate report provides updates on the non-construction (technology, furniture and equipment) portion of the project.

I. NEW CITY HALL

A. General Update

Construction of the new City Hall is progressing on schedule for substantial completion of the tower and council chamber wing in the spring of 2005.

- Tower

Since the last report, the tower's public elevator shaft drywall is complete. The freight elevator installation, which began in late June, is nearing completion, and with the exception of the temporary leave-out bay being used by the material hoist on the southwest corner, the curtain wall system is complete through the 18th floor on both the west and east sides. The tower's north and south side staircases were completed in early July. PG&E began extending power to the site in mid-September.

The tower is expected to be enclosed by mid-November. Temporary provisions have been made to weatherproof the building in case of early rains.

- Council Chamber Wing

Fireproofing of the council chamber wing has been completed. The council chamber wing curtain wall system is 50 percent complete, and will be enclosed by the end of November, with the exception of the main skylight. Temporary provisions have also been made to weatherproof the building in case of early rains.

- Rotunda

The rotunda structural steel is fully welded. To stabilize the structure the rotunda steel ribs are in-filled with concrete. This process is 50 percent complete. The rotunda Brise Soleil structural steel is nearing completion.

A very intricate process is underway to prepare for the installation of the glazing, scheduled to begin later this fall. To acquire extreme precision for sizing the glazing, measurements must be made at 2 a.m. This is the optimum time of the day when there is a minimum amount of heat gain or loss and the structural steel is least distorted. The contraction and expansion of glazing will be counter balanced by the gasket system using these precise measurements.

The rotunda dome measures approximately 109 feet wide at the base, and 108 feet high from the concrete base to the oculus, or approximately 10 stories high. Due to the ceiling height of the first and second floors in the tower, the rotunda meets the 9th floor of the tower. The rotunda is scheduled to be fully enclosed by the early Spring.

- Battered Wall

Construction of the battered wall's limestone facade has begun and will take approximately three months to complete. Each segment of the stone system is individually attached by stonemasons onto a waterproofed membrane, using stainless clips. The battered wall glass enclosure will be complete near the end of November, and the limestone façade will be done early next year.

- Site Utilities

Site utility connections including storm and sanitary sewers and fire protection services to serve the new City Hall have been completed.

- Project Milestones and Move-In Window

The project is approximately 70 percent complete. To date, the major construction milestones include completion of the foundation, the plaza deck and structural steel in the tower, the council chamber wing structural steel, rotunda structural steel and concrete.

Despite recent challenges with the technology procurements, the buildings remain on schedule for substantial completion in the spring of 2005. The move-in window is currently scheduled to begin in April 2005 and continue through August 2005 resulting in the move of about 1,750 people to the building. This may have to be adjusted somewhat due to the technology installation schedule. Completion of the rotunda is expected near the end of Summer 2005.

B. Items of Interest

On the City's Internet homepage, the new City Hall website now includes the Fifth Street Infrastructure project, Public Art and all Council information memos.

A new City Hall page has been incorporated into the City's intranet. This site provides staff information on the phased move-in program, the records consolidation project, frequently asked questions and links to the new City Hall and Public Art Program Internet websites.

This project has moved very rapidly. In August 2002, the project broke ground. One year later, in August 2003 steel erection began and the project started to come up out of the ground. Now, in Fall 2004, the project is 70 percent complete. The tower, council wing, rotunda and battered wall are all fully framed and being enclosed.

The tower's eight-passenger elevators will be able to move at 700 feet per minute or eight miles per hour. At that rate, you will be able to go from the first to the eighteenth floor in approximately 30 seconds.

From the roof (336 feet above sea level), the San Mateo Bridge is visible on a clear day 24 miles away.

The safety record for the project continues to be excellent with the number of incidents reported being significantly below industry standards. This track record remains a source of pride for the contractors, safety officers, the JV, and the City, as members of the team are committed to promoting a safe work environment.

II. OFF-SITE PARKING GARAGE

Litigation by PAC SJ regarding the Off-Site Parking Garage Supplemental EIR remains unresolved. The City and PAC SJ agreed to defer the court date for one month so that both sides could enter into a one-day facilitated mediation session with an agreement that PAC SJ would not appeal the court's ruling. A new court date is expected to be set for the first part of November, 2004.

Staff is finalizing bid documents so that upon a favorable ruling by the Court, the project can be rebid immediately.

III. PROJECT CONSTRUCTION BUDGET SUMMARY

In the last report, 42 contracts were awarded and together with the then pending low bid on the parking garage totaled \$1 million of savings below the construction budget. The bids on the parking garage have expired due to the pending litigation. Therefore, the \$1.3 million savings from the parking garage is no longer being recognized. As noted in previous project construction cost reports, City staff and the Turner Devcon Joint Venture continues to evaluate each bid package for opportunities to reduce project costs without compromising quality or functionality (value engineer) with the ultimate goal and interest of keeping the overall project within budget.

A. Construction Contracts

Since the last report on June 24, 2004, two contracts have been awarded. As indicated above, the bids on the contract for the parking garage have expired resulting in a need to reject all bids. The bid result for the off-site garage was included in the table below in previous Council information reports. Since the bids were rejected, the table below now reflects the reversal of the garage bid previously reported. These contracts are summarized as follows:

<u>Description</u>	<u>Contractor</u>	<u>Low Bid</u>	<u>Budget</u>	<u>Variance</u>
<i>Cumulative Totals</i>	42 Contracts	\$ 173,408,352	\$ 174,421,405	\$ (1,013,053)
<i>Site Concrete/Flatwork</i>	J. J. Albanese	\$ 1,963,795	\$ 1,686,073	\$ 277,722
<i>Miscellaneous Site Work</i>	J. J. Albanese	\$ 817,618	\$ 542,054	\$ 275,564
TOTAL	44 Contracts	\$ 176,189,765	\$ 176,649,532	\$ (459,767)
<i>Off-Site Parking Garage (Bid expired)</i>	Swinerton	\$ (19,200,000)	\$(20,500,000)	\$ 1,300,000
TOTAL	43 Awards	\$ 156,989,765	\$ 156,149,532	\$ 840,233

Staff is pursuing several opportunities to reduce costs in these bids through value engineering change orders.

The 43 contracts awarded to date are approximately \$840,000 above the construction budget. This amount will be covered through project contingency funds. Costs saving measures are ongoing as we manage design elements of the project to stay within the budget. However, it should be noted that as we near completion of the project, opportunity for future savings is reduced.

All construction contracts have been awarded with the exception of work for final clean up. Staff is analyzing the scope of work to determine the best method to acquire the needed services.

B. Construction Budget Summary

As of September 30, 2004, we have expensed and encumbered \$303.6 million out of a total \$343 million project budget. The chart below illustrates the budget breakdown by project components: off-site parking garage, land acquisition, design and construction (including public art).

Budget Summary (in millions)			
As of 09-30-04			
Description	Budget	Total Expended/ Encumbered	Remaining
Offsite Garage	\$ 25.0	\$ 2.5	\$ 22.5
Land acquisition and relocation	\$ 54.5	\$ 51.3	\$ 3.2
Design, Construction, Public Art (includes \$197 million for construction & \$66.5 million for other costs)	\$ 263.5	\$ 249.8	\$ 13.7
Total	\$ 343.0	\$ 303.6	\$ 39.4

IV. COST PROJECTIONS / MANAGING THE BUDGET

Overall, the most recent bids continue to be higher than the Joint Venture's (JV) estimates. Of the last 19 bids that have been awarded, 14 have exceeded the budget estimate. When the exclusion of the bid for the parking garage is factored in, the overall construction awards are approximately \$840,000 above the construction budget. This amount is being covered by the project contingency. As previously noted, the savings of \$1.3 million from the off-site garage was at risk due to construction delays from the PAC SJ lawsuit and the need to re-bid the contract.

Factors contributing to the higher than expected bids continue to include the following: the construction bidding environment has become less competitive because the construction market is picking up; the work and work schedule on this project is very complex which reduces the firms opting to bid; and some materials costs are greatly increasing especially any work containing steel, other metals, lumber and plywood, and various kinds of pipe products.

As noted in the previous report, current projections still show costs trending \$3 to 4 million over the \$343 million budget (about 1%). Since the last report about \$2 million in VE and other savings has been achieved. However, recent bids received above the budget as well as having to reject bids and reallocate the garage costs have diminished the VE savings. Staff and the JV continue our value engineering efforts to reduce costs. There are still opportunities to VE the project and use the savings to help close the budget gap.

The costs resulting from the PAC SJ lawsuit on the parking garage and the bid costs trending upward have made budget balancing much more challenging over the last several months. If the parking garage rebid costs are significantly increased over the original bids, it will be very difficult to find value-engineering savings to cover the added costs at this late date. Staff and the JV will continue to do everything possible to keep the project within budget.

In addition, it is unknown at this point how the problems associated with acquiring the converged network will impact schedule and budget. Until the procurement process, schedule and scope of work is established, we will be unable to accurately estimate the impacts. Staff and the JV will work with our new consultants and vendors to minimize any impacts and deliver the project as early as possible.

While the total construction contingency available to the City and JV remains at about \$8 million, it is expected that the entire contingency amount will be needed to complete the project.

V. BUDGET BALANCING STRATEGIES

To date, over \$12 million has been value engineered from the design submitted by Richard Meier & Partners while still retaining an exceptional architectural design and high quality functional and operational spaces.

The difficult balance using value engineering is to reduce costs to stay within budget while not significantly and adversely affecting the architecture or function of the project. Due to the nature of the ongoing multiple prime contracting process, we are currently working with JV cost projections to manage the budget and will be unable to more precisely predict costs for several months when the project is closer to 80 percent complete. Therefore, if the JV cost projections are accurate our value engineering efforts are more likely to bring the project in at or near the budget. Otherwise, we may value engineer too much and leave important improvements out of the project, or value engineer too little and risk exceeding the budget.

Staff and the JV are committed to doing everything possible to stay on budget but are still trying to be judicious and not over value engineer the project at this point thereby preserving a high quality final result. In striking this balance, several reductions have been made to date that would have been desirable but were not absolutely needed. And

several items have been left in the project that were on the margin as potential reductions but having a greater architectural / functional impact.

As indicated in the June 24, 2004 report, a total of \$ 2 million was deleted from the project including a portion of the terrazzo floor, metal work around elevators, metal paneling in restrooms, and a portion of the wood paneling in the Council Chamber. Also, revised lighting and other features were reduced in scope in the Council Chamber.

In addition, we have retained features including the terrazzo in the rotunda, woodwork around the elevators, acoustic material in the Council Chambers, and certain millwork in the Council Chambers as important to the project. These features cost \$1.15 million to retain.

Since the last report, the following items have reduced cost on the project:

1. Reduced exposures:

<input type="checkbox"/> Electrical	\$ 600 K
<input type="checkbox"/> Structural steel	80 K
<input type="checkbox"/> Tile	170 K
<input type="checkbox"/> Rotunda lighting	100 K
<input type="checkbox"/> South wall at property line	<u>150 K</u>
Total Reduction	\$1.1 million

2. Anticipated savings from allowances in existing contracts that will not need to be expended

\$1.0 million

However, the anticipated savings above has been counterbalanced by the expected cost increase for the parking garage as a result of the PAC SJ lawsuit and the two recent bids that were about \$500 K over budget. As indicated previously, this results in the project cost continuing to trend about \$3 to 4 million, or about 1%, above the \$343 million budget.

Staff and the JV will continue our value engineering strategies to keep the project within budget while not undermining the mission, quality, function, or long-term maintenance needs of the project.

CONCLUSION

The tower and Council Chamber wing continue to be on schedule for a Spring 2005 substantial completion. The move window schedule remains at April through August with employees beginning move-in June 2005. This move schedule may be modified somewhat depending on the final converged network installation schedule. Staff and our consultants are doing everything possible to remain on schedule. The off-site parking garage is programmed for a 15-month construction timeline, but the schedule is on hold pending outcome of the PAC SJ lawsuit. Forty-

10-14-04

Subject: NCH and Off-Site Parking Garage Project Update

Page 8

three (43) construction contracts, totaling \$157 million, have been awarded at approximately \$0.8 million above the construction budget (0.5%). This amount is being covered by the project contingency. Value engineering and other cost reduction efforts are continuing with the goal of bringing the project back within budget.

The emerging architecture on the project continues to be exceptional. At this stage of construction, the project is becoming very real and is beginning to engage people with all its possibilities. The sleek but functional tower, the brise soleil's on both the tower and rotunda, the walkways, atrium and plaza, the unique rotunda space, the Council Chamber, public meeting rooms and water feature, all will make the facility energy efficient, customer and staff friendly, and a spectacular public gathering place.

Tours have begun to brief the staff on the project and begin to prepare for the move. These tours build on the positive energy recently generated by the awards from the San José Business Journal and start the planning process for a change in work environment and service delivery that will occur next summer when we move in.



TERRY ROBERTS
Deputy City Manager



DEL D. BORGSDORF
City Manager

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10-14-04

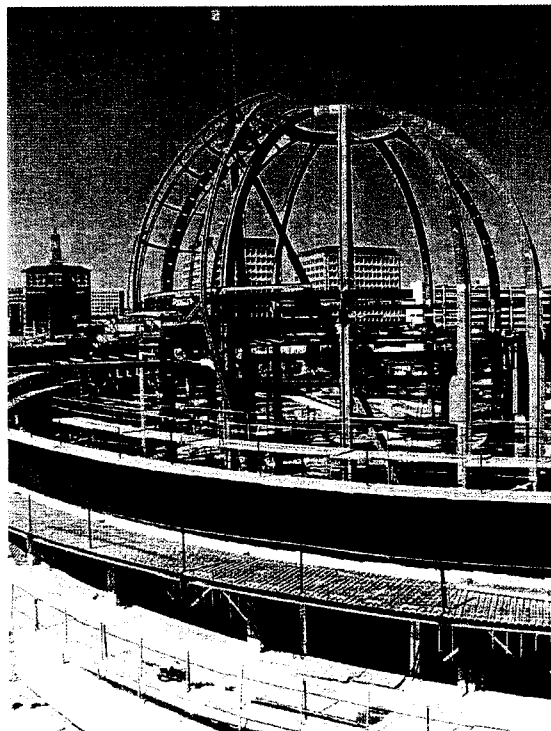
Subject: NCH and Off-Site Parking Garage Project Update

Page 9

Site View from the Northwest Corner of 4th and Santa Clara



Rotunda Dome – Brise Soleil



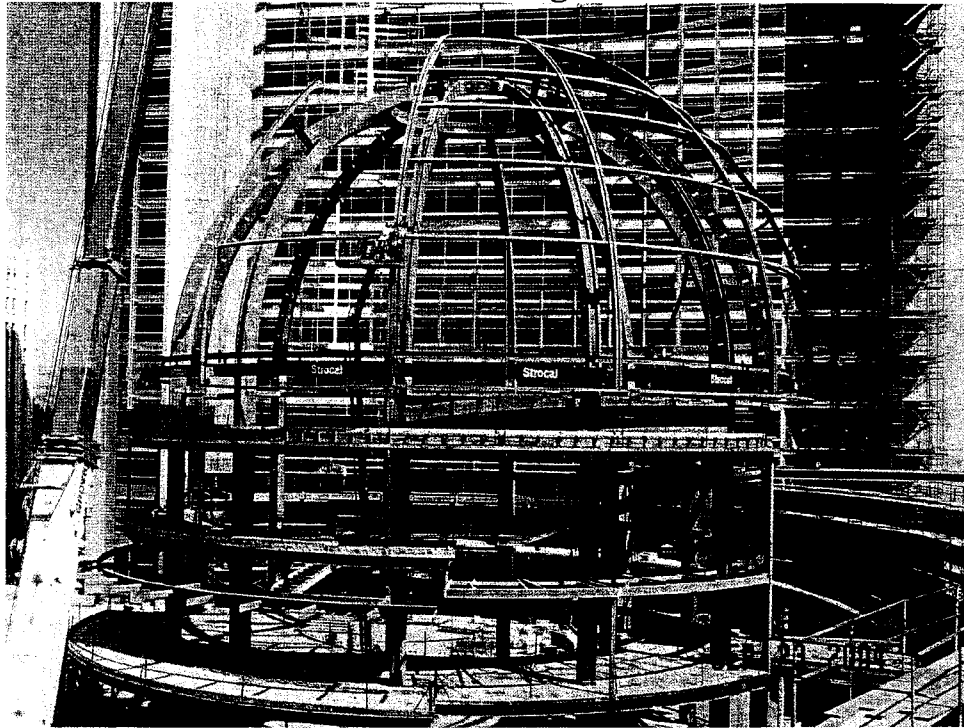
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10-14-04

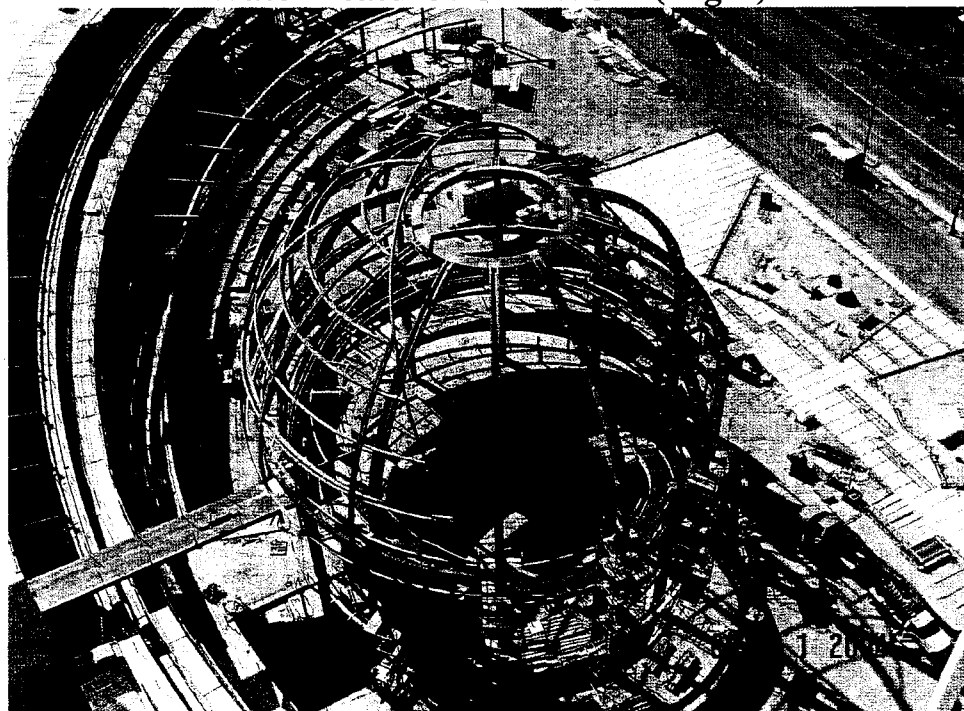
Subject: NCH and Off-Site Parking Garage Project Update

Page 10

Rotunda Brise Soleil Being Welded in Place



**Brise Soleil Steel in Place on Upper Left of Rotunda
Water Feature Form Work (Right)**



HONORABLE MAYOR AND COUNCIL

10-14-04

Subject: NCH and Off-Site Parking Garage Project Update

Page 11

Skylight Form over Council Wing Walkway, Looking West



Council Chamber Seating Steps Being Formed



HONORABLE MAYOR AND COUNCIL

10-14-04

Subject: NCH and Off-Site Parking Garage Project Update

Page 12

Southeast Staircase



Aerial Photograph Of The New City Hall Complex

